

Botanical Gardens Trust Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Botanical Gardens Trust Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Trust Deed of Botanic Gardens Trust Fund dated 20 December 1996 and Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

I expressed a qualified opinion based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that those are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's stability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties;
- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

Accounting Deficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	In terms of paragraph 14 of Sri Lanka Public Sector Accounting Standard No. 07, when there is a probability that future economic benefits or service potential associated with an asset will flow to the entity, such costs should be recognized as assets. However, although the construction work of the Botanical Garden Museum had been completed, the expenditure of Rs.54,879,321 incurred thereon had been shown under Work-in-Progress in the financial statements without being recognized as property, plant and equipment.	Since the CIGAS program does not provide facilities for accounting assets as work-in-progress, and capitalization in parts may result in double-counting errors and errors in identifying the asset cost, action will be taken to account for such items as an asset after the total bill value is recognized.	Action should be taken in compliance with Sri Lanka Public Sector Accounting Standards.
(b)	A sum of Rs.36,365,877 relating to entrance ticket income of March of the year under review had been accounted twice, and as a result, the income and receivables of the year had been overstated by the same amount in the financial statements.	Action will be taken to rectify the pointed out accounting error in the subsequent accounts.	Income relating to the year should be correctly identified and accounted, and control measures should be introduced to prevent such errors.
(c)	A sum of Rs.492,699 incurred in the preceding year as repair expenditure had been debited to the Work-in-Progress account, and when rectifying the	Measures will be taken to prevent such accounting errors in the future.	Expenditure relating to the year should be correctly identified, and adjustments relating to

accounts, it had been accounted as an expenditure of the year under review, thereby understating the surplus of the year under review by that amount.

prior years should be properly made.

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| (d) | After adjusting prior year items, the opening balance of the Accumulated Fund for the year under review should have been Rs.1,357,170,946. However, the opening balance of the Accumulated Fund in the financial statements after such adjustments had been shown as Rs.1,357,375,638, thus overstated by Rs.204,691. | Action will be taken to rectify the pointed out accounting error in the subsequent accounts. | Un-reconciliation of balances should be properly adjusted and it should be disclosed in the financial statements of the coming year. |
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2. Financial Review

Financial Results

The operational result of the year under review was a surplus of Rs.384,703,090, as compared with the corresponding surplus of Rs.200,260,522 in the preceding year. Accordingly, an increase of Rs.184,442,568 in the financial result was observed. The rise in entrance ticket income and battery car income were the main reasons for this increase.

3. Operational Review

3.1 Management Activities

(a) Failure to adequately take measures to achieve the objectives of the Fund

	Audit Observation	Comment of the Management	Recommendation
(i)	A total of 1,356 publications worth Rs.5,236,574, printed for distribution under the activities aimed at achieving the objective of enhancing attitudes towards botanical gardens in Sri Lanka and abroad, had remained unsold in the Department's Herbarium for a period of six years as at 14 March 2025, and 3,290 souvenir plates purchased at a cost of Rs.2,551,705 had remained idle in the stores of the Royal Botanical Garden for a period of 03 years.	Measures will be taken to prevent recurrence of such deficiencies in future, and to update and sell the publications within a reasonable period or distribute them among schoolchildren.	New marketing strategies should be introduced to attract tourists so that the intended objectives of the Fund can be fulfilled.

(ii) With regard to developing environmental, educational, conservation, and improvement activities relating to the industrial field for the benefit of botanical gardens, consultancy services had been obtained for the construction of a Molecular Lab at the National Herbarium, Peradeniya, by making payments amounting to Rs.9,304,556 to the Urban Development Authority during the period from 2019 to 2023. However, construction work had not yet commenced even by 14 March 2025. Further, a cheque valued at Rs.13,001,529 written on 25 December 2024 in the name of the Ceylon Electricity Board for providing three-phase electricity to the water pumping station of the Ganewatta Medicinal Garden had been retained up to 14 March 2025, and as at 28 April 2025, the work had not been completed.

Since the estimate of Rs.282 million dated 14 October 2022 had been revised to Rs.697 million as a structural plan, instructions were given to submit the project to the National Development Committee with recommendations of the Department of National Planning, which caused the delay in obtaining approval. Regarding the water pumping station at Deduru Oya, although payments were made as per the estimate given by the Electrical Engineer's Office, the estimate was later revised, resulting in the cheque not being accepted. A new estimate has now been provided and the balance payment will be made for the prices indicated therein and it is expected to complete the electricity supply promptly.

Steps should be taken to expedite the construction of the Molecular Lab to avoid waste of consultancy costs, and to promptly finalize estimates and complete the electricity supply work for the pumping station. Further, cheques should not be written and kept on hold without completion of the relevant works.

(iii) A payment of Rs. 1,458,887 was made to the Urban Development Authority in January 2021 for consultancy services related to the construction of a restaurant at the Hakgala Royal Botanical Garden, intended to provide facilities for visitors. However, as of 28 April 2025, construction work had still not commenced.

Action will be taken to prevent recurrence of hilited deficiencies in future.

Action should be taken to complete the works within the stipulated timeframes.

(b) An agreement amounting to Rs.45,347,269 was entered into with a private company in 2021 for the conversion of the Information Technology Centre, which had been constructed in 2019 within the Peradeniya Botanical Garden at a cost of Rs.28,064,130, into a museum. By the end of the year under review, a total sum of Rs.54,879,321 had been paid to the contractor. The following matters were observed in relation to this project.

Audit Observation	Comment of the Management	Recommendation
(i) According to paragraph 3.12.2 of the Procurement Guidelines, the capacity and resources of bidders should be verified at the pre-procurement meeting convened to ensure successful completion of the contract. However, during the said meeting, a decision had been made to subcontract major activities of the contract, and 34% of the contract value amounting to Rs.15,916,200 had been awarded to subcontractors.	As the work relating to printing and preparing display boards requires creativity, expertise, and specialized experience, and since construction work requires the necessary resources, it was considered more appropriate to award such work to experienced subcontractors in order to ensure better completion of the project.	Major items of a contract should not be subcontracted, and appropriate action should be taken against the officers responsible for action.
(ii) In terms of clause 51.1 of the contract agreement entered into with the contractor, an advance payment of Rs.8,156,604 should have been made. However, a sum of Rs.13,604,179 had been paid, thereby resulting in an overpayment of Rs.5,447,575.	At the time of making the initial advance payment, amounts relating to Provisional Sums and Contingencies were also included as per the Procurement Guidelines.	Formal action should be taken against the officers who recommended, approved, and certified the overpayment of the advance.
(iii) Although the renovated museum was formally handed over to the Department of Botanical Gardens on 15 December 2023, it had not been opened for public exhibition, despite the lapse of over one year by April 2025.	Instructions have been received from the Secretary of the Ministry of Environment to open the renovated museum in the near future.	Steps should be taken to open the museum without further delay, and formal action should be taken against the officers responsible for the non-utilization of resources in a timely manner.
(iv) Due to the museum not being opened, the warranty periods of 11 electrical items provided by the contractor and suppliers had expired or were nearing expiry. Further, out of 23 solar lamps provided and installed at a cost of Rs.887,592 on 15 January 2023 to supply lighting in case of power failures, four lamps installed in Gallery 01 had become inoperative as the batteries were inactive.	Since arrangements are being made to open the museum, steps are being taken to repair the defective batteries.	Necessary repairs should be made to bring the items into use, and action should be taken against the officers responsible for failure to maintain the assets properly

- (v) A fire extinguishing system installed on 28 December 2022 at a cost of Rs.1,299,672 had expired its warranty period on 28 December 2023. At the physical inspection, it was observed that the battery fitted to the main control panel was inactive, resulting in the system being non-operational during power failures.
- Due to insufficient provisions for the installation of an automated fire protection system, the existing type of fire protection system has been installed, and action is being taken to repair the batteries that are currently inactive in the manually operated fire protection system.
- The fire extinguishing system should be maintained in proper working order to achieve its intended purpose, and action should be taken against the officers who failed to maintain the equipment properly.